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|  | <p>Department of Administration</p> <p>State of Montana</p> <p>Issued by: The Risk Management & Tort Defense Division</p> <p>Subject: Boiler & Machinery Insurance The state's Boiler & Machinery insurance coverage and program requirements.</p> | <p>Number: RMTDINS0804</p> |
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I. DESCRIPTION

In accordance with §2-9-101, MCA through §2-9-305, MCA, the Department of Administration, Risk Management & Tort Defense Division administers a comprehensive insurance plan in behalf of Montana state government. The division also defends and indemnifies state agencies and employees in any TORT claim for damages arising from the lawful discharge of official duties rendered or which should have been rendered in the course of employment and within the scope of duty. This document provides a broad overview of insurance coverage provided under the state property/casualty insurance plan as well as specific program requirements for state agencies that participate in the state's boiler and machinery insurance program. This document does not amend, alter, or extend coverage provided under the state property/casualty insurance program or statute. Do not attempt to interpret coverage, limits, or exclusions and apply these to state activities without contacting the Risk Management & Tort Defense Division. Specific exclusions, limits, or conditions may apply.

II. DEFINITIONS

Accident

Accident shall mean a sudden and accidental breakdown of the Object, or a part thereof, which manifests itself at the time of its occurrence by physical damage to the object that necessitates repair or replacement of the object or part thereof; but accident shall not mean:

- A. depletion, deterioration, corrosion, or erosion of material;
- B. wear and tear;
- C. leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
- D. the breakdown of any vacuum tube, gas tube or brush;
- E. the breakdown of any structure or foundation supporting the object or any part thereof;
- F. the functioning of any safety device or protective device.

Object

Except as otherwise specifically designated herein, object as described below shall mean any equipment or apparatus which is owned by, leased by or operated under the control of the state subject to the exclusions and special provisions specified herein:

- A. Any boiler, any fired vessel, any unfired vessel subject to vacuum or internal pressure other than static pressure of contents, any refrigerating and air conditioning vessels, or any piping and its accessory equipment, but such

object shall not include:

1. Any boiler setting, any insulating or refractory material,
2. Any sewer piping, any underground gas piping, any piping forming a part of a sprinkler system or any water piping other than;

- (a) Feed water piping between any boiler and its feed pumps or injectors
- (b) Boiler condensate returning piping

B. Any mechanical or electrical machine or electrical apparatus used for the generation, transmission or utilization of mechanical or electrical power, but

Object shall not include:

1. Any structure or foundation other than a bedplate of a machine,
2. Any vehicle, elevator, crane, hoist, power shovel or drag line, but not excluding any electrical equipment used with said machine or apparatus,
3. Any refractory material, or
4. Any penstock or draft tube.

III. INSURING AGREEMENT

Subject to the terms, conditions, and exclusions specified in statute (§2-9-101, MCA through §2-9-305, MCA) and in the state's boiler & machinery policy, sudden and accidental breakdown of an object or part of an object that causes physical damage is covered. The policy applies to insured property within the United States. There is a \$1,000,000 limit for properties outside of the United States. For coverage outside these territories please contact the Risk Management and Tort Defense Division.

IV. COVERED CAUSE OF LOSS

A covered cause of loss is an accident to an object as stated herein. An object must be in use or connected ready for use at the location specified for is at the time of the Accident.

V. COVERED PROPERTY

Covered Property, as used in this Extension, means any property that:

- A. The state owns; or
- B. Is in the state's' care, custody or control and for which they are legally liable

VI. ADDITIONAL COVERAGE

A. Additional Expense:

The additional expense incurred for cleanup, repair or replacement or disposal of damaged, contaminated or polluted property as a result of an Accident, which causes property to become damaged, contaminated or polluted by a substance declared hazardous to health by an authorized governmental agency. For the purpose of this coverage "additional expense" means any expense that would not have incurred, if no substance hazardous to health had been involved in the accident.

B. Ammonia Contamination:

The loss, including salvage expense, incurred with respect to damage by ammonia contacting or permeating property under refrigeration or in process requiring refrigeration, as a result of any one accident to one or more objects.

C. Water Damage:

The loss, including salvage expense, with respect to property damaged by water, resulting from any one accident.

D. Media Coverage:

The loss to all forms of electronic, magnetic and optical tapes and discs used in any electronic computer or electronic data processing equipment directly damaged by an accident to an Object. For the purpose of this coverage, the valuation basis for "Media" is as follows:

1. For "Media" that are mass-produced and commercially available, at the replacement cost.
2. For all other "Media," at the cost of blank material for reproducing the records.

E. Consequential Damage:

The "Consequential Damage" to refrigerated and frozen goods of the State or for which the state is legally liable or under the State's care, custody or control caused solely by an Accident to an Object. For the purpose of this coverage, "Consequential Damage" is defined as loss due to spoilage from lack of power, light, heat, steam or refrigeration, resulting from accident.

F. Utility Interruption:

The loss caused by an Accident to an Object that is owned, operated or controlled by a public or private entity that the state has contracted with to furnish them with electrical utility service including all direct electrical suppliers.

G. CFC Refrigerants and Halon:

The replacement of any CFC (chlorofluorocarbon) refrigerant used in refrigeration or air conditioning equipment or Halon used in a fire suppression system due to an "accident" to an object.

H. Ordinance or Law

If an Accident to an Object at the state's location damages a building that is "Covered Property," insurance will pay for the undamaged Portion of the Building, meaning loss to the building caused by enforcement of any ordinance or law.

VII. EXCLUSIONS

- A. Any steam boiler, steam piping, steam turbine, gas turbine, steam engine other than a state object.
- B. Any machine when such loss is caused by centrifugal force or mechanical breakdown.
- C. Nuclear reaction or radiation or radioactive contamination however caused, however, this exclusion shall not apply to nuclear medicine at hospitals.
- D. From fire concomitant with or following an accident.
- E. From an accident caused directly or indirectly by fire.
- F. From a combustion explosion outside the object concomitant with or following an accident.
- G. From an accident caused directly or indirectly by a combustion explosion outside an object.

VIII. PROGRAM REQUIREMENTS

- A. State agencies and universities must list the boilers & machinery that they want state by classification of boiler in the state Property/Casualty Insurance Information System and submit the list to the division by January 15th of each fiscal year. Failure to accurately report boilers & machinery may result in inadequate coverage.
- B. The Risk Management & Tort Defense Division and participating carriers shall be subrogated to the state's recovery against third parties. The state shall do nothing to prejudice such rights.

- C. The state's policy may be cancelled with notice. Should this occur, the Risk Management & Tort Defense Division would secure coverage from other carriers.

IX. SPECIAL SERVICES

- A. State agencies and universities that need coverage for boilers & machinery not mentioned are encouraged to contact the Risk Management & Tort Defense Division. The division or its brokers may be able to form a plan of self-insurance to assist your agency or university. Any plan must be consistent with §2-9-201, MCA. The division may have to obtain legislative approval for the plan. The division may be able to obtain commercial insurance to meet your needs.
- B. The Risk Management & Tort Defense Division may be able to help you develop a risk control plan that will remove or reduce your need for coverage.
- C. Boiler inspections will be conducted by the Department of Labor & Industry or under contract with parties or firms selected by the Risk Management & Tort Defense Division.

X. REPORTING LOSSES

The ***State Report of Incident Form*** should be used. State agencies and universities must notify the Risk Management & Tort Defense Division of a claim or potential claim as soon as possible, preferably within 5 business days. Claims that involve fatalities or other serious injuries must be reported within 24 hours.

Sample forms may be found on the division's website under 'Claims.' You may photocopy them (front and back) as needed.

XI. LIMITS

\$100,000,000 Breakdown, Extra Expense, etc.
\$10,000,000 Service Interruption
\$10,000,000 Consequential Damage
\$10,000,000 Ammonia Contamination
\$10,000,000 Hazardous Substances
\$10,000,000 Electronic Data Processing Media
\$ 10,000,000 Perishable Goods

XII. DEDUCTIBLES

Varies by object or vessel.

XIII. PREMIUMS

Premiums must be promptly remitted by state agencies and universities after receiving billing notices from the Risk Management & Tort Defense Division.